

**Iowa Department of Natural Resources  
Environmental Protection Commission**

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**ITEM**

**8**

**DECISION**

**TOPIC**

**Drinking Water State Revolving Loan Fund – 2006 Intended Use Plan  
Fourth Quarter Update**

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Commission approval of the fourth quarter update to the Drinking Water State Revolving Fund Intended Use Plan (IUP) for 2006 is requested. The Commission approved the FY 2006 IUPs in July 2005, the second quarter update in September 2005, and the third quarter update in December 2005.

The fourth quarter update includes the amended lists of projects proposed to receive loan assistance. We propose to add 14 new drinking water construction projects to the priority list. In addition, three new planning and design loans were requested this quarter.

An amount of \$1.2 million from the state program set-aside, reserved in FY 2001 but not used, was reverted to the loan fund at the Environmental Protection Agency's direction.

A public meeting was held February 9, 2006. No oral or written comments were received.

Dennis Alt  
Water Quality Bureau  
February 27, 2006

DRAFT

DRINKING WATER  
STATE REVOLVING FUND  
DRAFT INTENDED USE PLAN  
FOR THE  
STATE OF IOWA  
FISCAL YEAR 2006



Iowa Department of Natural Resources  
Environmental Services Division  
Amended March 20, 2006

# DRAFT

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## ATTACHMENTS

<b>CHART 1</b>	<b>FY 06 INTENDED USE PLAN PROJECTS—SPECIFIC INFORMATION</b>
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## I. INTRODUCTION

The State of Iowa presents its amended Intended Use Plan (IUP) for all funds available in the Drinking Water State Revolving Fund (DWSRF) during State Fiscal Year (FY) 2006. This plan is based on anticipated use of existing construction and equity funds available in the DWSRF loan program for assisting drinking water systems in financing infrastructure improvement projects and maintaining compliance with Safe Drinking Water Act requirements. The FY 2004 capitalization grant of \$15,244,700, received during FY 2005 and the FY 2005 grant of \$15,212,400, received during FY 2006, are anticipated to provide loans for projects shown in this IUP and to fund the identified set-asides.

## II. DWSRF FUNDS

This amended IUP is based upon the DWSRF allotment available to Iowa for federal fiscal year (FFY) 2005 that has recently been received, and on the FFY 2004 capitalization grant that was received during FY 2005. The State has applied for all capitalization grants available from appropriations made through FFY 2005, and provides the required 20% match for these capitalization grants through bonding as necessary. The State of Iowa has provided matching funds for the FFY 2004 and 2005 capitalization grants. The State may apply for the FFY 2006 capitalization grant prior to the end of the fiscal year, but a final decision on this has not been made yet.

State matching funds in the amount of 20% of the federal contribution have recently been provided through an Iowa Finance Authority (IFA) bond issue. The Iowa Finance Authority was created for the purpose of funding public infrastructure projects within Iowa. At the direction of the Iowa legislature, IFA issues bonds for various state agency purposes and has served as the mechanism for operating the Clean Water State Revolving Fund since 1988 and the DWSRF since 1998. The roles and responsibilities of IFA and the Iowa Department of Natural Resources (IDNR) with respect to the DWSRF are described in a 28-E Agreement signed in July of 1998 and kept on file in the Wallace State Office Building in Des Moines, Iowa.

It is the intent of this plan to provide funds to loan applicants with the FFY 2004 and 2005 capitalization grants, state match money, funds currently in the DWSRF, and, if necessary, leveraged or transferred funds. Chart 1 Part 4 shows a total loan need of **\$35,450M** for new FY 2006 projects. These projects will be funded through the Construction Fund and the Equity Fund.

## III. FISCAL YEAR 2006 PROJECT PRIORITY LIST

The management of the State's revolving loan fund program, including development of a project priority list for loan assistance, was developed according to Part 567 of the Iowa Administrative Code, Chapter 44. This IUP indicates the intent to provide funds to projects ranked in priority order according to scoring criteria contained in Chapter 44 of the Iowa Administrative Code. Appendix B constitutes the State's project priority list.

Projects will be funded as ranked on the project priority list. If projects identified on the list are unable to proceed towards construction within the time limits required by

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EPA and Chapter 44, these projects may be placed on the contingency list or may be removed from the project priority list. Adjustment to the list of fundable projects will be made, if necessary, to assure that at least 15% of the project funds are available to systems serving fewer than 10,000 persons as specified in Section 1452(a) (2) of the Act. Loans may be made for up to 100% of the project cost if they are eligible for funding based on engineering, environmental, and financial review and project readiness to proceed as described above.

## A. UNFUNDED PRIOR YEAR'S PROJECTS

All projects from prior years that have not entered into a binding loan commitment are included in this IUP. Projects identified in this IUP for assistance in FY 2002, 2003, 2004, 2005, and 2006 are shown in Chart 1 Parts 1 and 2. Based on available uncommitted funds as of February 7, 2006, it is Iowa's intention to make DWSRF loans to two FY 2002 projects, five FY 2004 projects, 17 FY 2005 projects, and 24 FY 2006 projects during FY 2006.

## B. SEGMENTS OF PREVIOUSLY FUNDED PROJECTS

State rules provide that subsequent segments of a project which has previously received funding priority or assistance be placed on the project priority list with the original project score. There are no applications for segmented projects in FY 2006.

## C. NEW PROJECTS

The Department received 14 new applications for FY 2006 loan assistance during this update period. The newly received applications were considered eligible and were added to Chart 1, Part 4 for funding assistance.

Only projects on Chart 1 are considered fundable and projected to receive loans in FY 2006. The priority rankings for the FY 2006 projects (Chart 1, Part 4) are shown in Appendix B.

## D. SUPPLEMENTAL LOANS

Supplemental loans for projects listed in previously approved IUPs are added to the IUP as they are requested unless the additional funds will be used for improvements that would significantly change the scope of the project. Changes requiring additional environmental review are considered significant. Supplemental loans will not be provided for changes that would lower the original score of the project. The cities of Mitchellville and Breda have submitted requests for supplemental loans during FY 2006; the loans are shown on Chart 1, Part 4.

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## E. PLANNING AND DESIGN LOANS

A total of 10 applications for planning and design loans have been received by the Iowa Finance Authority. Of these, seven are on the project priority list and desire funds for planning and design prior to closing their DWSRF construction loan. The other three projects are requesting planning and design loans but have not indicated their intent to use a DWSRF loan to finance the construction of the project. These projects are listed on Chart 1, Part 4, but have not been assigned priority points or project numbers. The intent is to provide loan funds for planning and design to these systems at 0% interest for a three-year period. Following the three year period, the system could incorporate the planning and design loan into permanent financing or pay off the balance of the loan.

## F. SUMMARY OF CHART 1

Based on the assumptions previously stated for DWSRF funding, there are 24 projects identified for loan assistance of \$35,450 in FY 2006 in addition to 24 projects requesting \$21,139M for FY 2002 through FY 2005 that have not yet entered loan agreements. The total need is \$56,589M for these 48 projects. These projects appear on Chart 1 by fiscal year.

## G. CHART 2: INTENDED USE PLAN CONTINGENCY PROJECTS

In the event that projects identified for funding in the IUP do not attain readiness for a loan commitment by projected dates, these delayed projects may be bypassed. Other projects may be added to Chart 1 or Chart 2 to be funded based on the State's implementation rules for the DWSRF program (567 IAC 44). Loan applications in excess of available DWSRF assistance or unable to enter binding commitments within one year may be placed on the Contingency List (Chart 2) according to priority. There are 10 projects on the contingency list because they have indicated they do not intend to enter into binding commitments until FY 2007. These projects will be placed on the project priority list in the FY 2007 IUP.

## IV. LONG-TERM AND SHORT-TERM GOAL STATEMENTS

### A. LONG-TERM GOALS

- Protect public health by ensuring that primary drinking water standards are met.
- Manage a perpetual program to provide financial assistance to communities and other eligible applicants for the purposes of constructing facilities to properly and adequately treat drinking water, to protect source water for drinking water systems, and to ensure that loan recipients are able to provide safe drinking water at a reasonable cost for the foreseeable future.
- Ensure the long-term viability of existing and proposed water systems.

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- Provide financial assistance in the form of low-interest loans while assuring the perpetuity of the fund.
- Apply program requirements which are simple, understandable, applicable to all projects, and the fullest extent possible are not burdensome to the recipients of assistance.
- Maintain mechanisms for funding the on-going administration of the program if federal funding is eliminated.

## B. SHORT-TERM GOALS

- Provide loans to assist water systems in improving drinking water quality.
- Commit loan funds to fully fund as many recipients as possible in accordance with the state scoring criteria, this IUP, staff resources, and available funding.
- Annually evaluate current demand to see if leveraging is necessary.
- Manage the DWSRF funds to maximize their use and impact through sound financial management.

## V. INFORMATION ON THE DWSRF ACTIVITIES TO BE SUPPORTED

### A. ALLOCATION OF FUNDS

Allocation of funds to eligible projects was based on a three-step process:

1. The amount of financial assistance needed for each application was estimated;
2. The sources and spending limits for all DWSRF funds were identified; and
3. The DWSRF funds were allocated among the projects, consistent with the financial assistance needed.

Information pertinent to each DWSRF project is contained in Chart 1.

### B. SOURCES AND USES OF AVAILABLE DWSRF FUNDS

Appendix A to the Intended Use Plan illustrates the sources and uses of funds in the DWSRF as of **January 31, 2006**. A description of each fund in the DWSRF is summarized in Appendix A-1. The project needs total in Chart 1 reflects all unfunded needs.

The Construction Fund receives bond proceeds and is available for loans based upon each year's IUP. Capitalization grant draws are deposited into the Equity Fund or the Reserve Fund when loan outlays are made to DWSRF recipients. The Deficiency Fund screens balances in the Revenue Fund (from loan repayments) and the Reserve Fund. Balances not needed for transfer to the Bond Fund for state bond retirement are placed in the Equity Fund. Moneys in the Equity Fund are therefore not pledged to bonds and therefore have no

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constraints on uses relative to the state bond issues. The Equity Fund is therefore available for loans and is not restricted to the types of loans identified in the bonds.

The Deficiency Fund is a point of potential interconnection with the Clean Water State Revolving Fund (CWSRF). In the restructuring of the funds in 2001, the bond issues were cross-collateralized. The access point for any bond cross-collateralization needs is the Deficiency Fund for both the Clean Water and Drinking Water SRFs. Should loan defaults or other shortages occur in either SRF so that balances in the Bond Fund become deficient beyond the ability of that SRF to address, the bond issue has the collateral of both programs from which to draw.

A decision to leverage DWSRF funds can be made each year as part of the bond sale process. Issuing bonds in excess of the minimum State match requirement results in an increased Construction Fund balance. A decision to leverage is made at the time of each bond sale and is based on current loan demand, anticipated loan needs and the benefit to the SRF fund.

Appendix A shows the total funds available for loan use as \$37,852,000 (Construction Fund uncommitted plus Equity Fund uncommitted). Chart 1 shows total loan needs for FY 2006 (Chart 1, Parts 1 through 4) to be \$56,589,000.

## C. DWSRF POLICIES

### 1. Loan Interest Rate

The interest rate for all loans had previously been fixed at a rate of 3 percent (see 567 IAC—44.14). Because this provides a lack of flexibility, the department, in consultation with the Iowa Finance Authority, is removing the set interest rate from the rule. Federal regulations require the DWSRF program to make loans at less than market rate, and though it is not anticipated that the rate will exceed 3 percent for loans made during FY 2006, the interest rate may drop below 3 percent and provide a better rate for applicants than the current situation allows. This change should be effective prior to the end of FY 2006.

### 2. Maximum Loan

Iowa rules had previously limited the maximum loan to any applicant in one year to no more than 50% of the available funds in that year. This maximum is being removed from the rules to provide greater flexibility in managing the fund.

### 3. Project Readiness

Applicants cannot be offered assistance until they meet program requirements. Based on the environmental reviews that have been conducted on funded projects to date, it is not anticipated that any of these projects will need to undergo the development of an Environmental Impact Statement (EIS).

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## 4. Funding Limitations

Pending loans identified in this IUP exceed the available funds in the DWSRF program. As a result, if all the loans listed in Chart 1, Parts 1, 2, 3, and 4 were to enter into binding commitments during FY 2006, the Department would be expected to leverage and to apply for the 2006 capitalization grant and provide the required match to make up the difference. A transfer of CWSRF funds is possible, but the amount eligible for transfer would not be enough to meet demand if all loans on Chart 1 were made prior to the end of FY 2006.

The Department will only leverage if it is deemed necessary by consultations with EPA and the Department's financial advisors. If necessary, lowest priority projects on Chart 1 could be transferred to the contingency list, Chart 2.

## D. INTENDED USE OF SET-ASIDES

### 1. DWSRF Program Administration Set-Aside

Iowa does not intend to take this set-aside to pay the costs of administering the State Revolving Fund loan program in FY 06. This set-aside was taken in each of the fiscal years between 1999 and 2003, and Chart 1, Part 5 shows set-aside amounts and the balance of unspent funds for each year. Uses of these funds may include loan portfolio management, debt issuance, financial, management and legal consulting fees, an assessment of the project priority needs and ranking, costs for conducting public hearings and the proposed project list, project technical and environmental review, work on current and future needs surveys, project initiation conference costs, Department review of credit worthiness and related support services, and technical assistance.

The annual budgets for program administration have been less than the 4% allowed by the DWSRF for administrative costs. Unused commitments are reserved for use in future years as necessary should capitalization grants be reduced or actual costs increase.

Administrative funds will be used this year to fund the cost of staff working in the DWSRF program, along with associated equipment and expenses. Funds are also set aside to conduct an audit of the program if required, and to provide financial review for private borrowers of DWSRF funds. Funds will also be used for financial services provided by the Iowa Finance Authority.

Workplans for FY 06 show a demand for approximately \$899,800.

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## 2. Small System Technical Assistance Set-Aside

Iowa intends to use DWSRF funds equivalent to 2% of the federal capitalization grant funds to provide technical assistance to public water supplies serving populations of less than 10,000. The Department may contract with technical assistance providers possessing expertise in dealing with small systems, and contracts may utilize Department personnel and supplementary resources.

Chart 1, Part 6 shows FY 2001-2005 small systems technical set-aside amounts and the balance of unspent funds for each year. The annual budgets for technical assistance to small systems have been less than the 2% allowed for this program because state budget constraints for several years forced the Department to retain these funds in the event that they had to be used to fund the technical assistance activities of Department staff.

Funds from this set-aside will be used this year to provide technical assistance through the issuance of operation permits and monitoring reminders for public water systems serving populations of less than 10,000 and to provide technical assistance for well siting and hydrogeological services through the Iowa Geologic Survey. Funds will also be used for equipment and expenses related to administering technical assistance contracts. Contracts have been signed for projects to provide on-site technical assistance to systems in need of capacity development, a value engineering project related to DWSRF projects, and workshops to provide assistance to small public water systems in developing their Consumer Confidence Reports. The Department may issue another request for proposals for technical assistance during FY 2006, and funds have been set aside for this purpose as well.

Workplans for FY 06 show a demand for approximately \$910,000.

## 3. State Program Support Set-Aside

This set-aside was taken during FY 2001, but was not fully utilized because the requirement for state matching funds could not be met. With newly implemented construction permitting fees in place as a source of state matching funds, it was anticipated that IDNR would be able to better utilize this set-aside, but spending has been slower than anticipated. The IDNR set aside \$175,000 in FY 2005 to investigate the source(s) of high bacterial counts along the Des Moines and Raccoon Rivers that act as source water for Des Moines Water Works. Information gained during the study will be used to identify source water protection strategies available to Des Moines Water Works as allowed by 1452(g)(2)(B). This project has not proceeded as quickly as anticipated, but is still planned.

The department has also received a proposal for the development of source water protection plans for four of the largest utilities (Cedar Rapids Water Department, Des Moines Water Works, Iowa City Water Department, and Rathbun Regional Water Association). This project is crucial in assisting the department in reaching state and federal source water protection goals and

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will require \$328,000 from the department. This amount will be matched one to one by the participating water systems, the Iowa Association of Water Agencies, and the U.S. Geological Survey.

Taking into consideration the required one to one match, approximately \$1,442,800 will be needed to fund state program activities during FY 06, including the Des Moines Water Works study and the Iowa Association of Water Agencies Source Water Protection Plan. The remaining balance of FY 01 funds will be reverted to the equity fund for infrastructure loans. The set-asides and balance of unspent funds are shown in Chart 1, Part 7.

Funds from this set-aside will be used this year to fund staff assisting with the administration of the Public Water Supply Supervision program and non-DWSRF engineering, along with related equipment and expenses. Funds will also be used for the ongoing electronic sanitary survey project and to conduct an ongoing study of the Silurian aquifer in eastern Iowa in conjunction with the United States Geological Survey to assess the quality and quantity of water available in the aquifer, along with the demand being placed on the aquifer by users in Johnson County, Iowa. Additional funds are set aside for projects yet to be determined.

Unused commitments are reserved for use in future years as necessary.

#### 4. Other Authorized Activities Set-Aside

Funding for ongoing assessments of sources constructed after 1997 will continue from this set-aside, as will funding of equipment and expenses related to the ongoing assessments. Additionally, staff will be funded by this set-aside to complete sanitary surveys as part of the existing systems capacity development strategy as allowed by Sec. 1452(k)(1)(B) of the amended Safe Drinking Water Act. A source water coordinator position that will assist public water systems in implementing local protection plans as allowed by Sec. 1452(k)(1)(D) is also planned in FY 06. Two existing contracts for assisting community public water supplies in the development of wellhead protection plans are also funded by this set aside.

A set-aside of \$350,000 was taken in FY 2003 to develop an interactive internet site for use by public water supplies, consultants, and the public pursuing local source water protection information, as allowed by Sec 1452(k)(1)(D) of the amended Safe Drinking Water Act. The contract for this project has not been signed and a decision on whether or not to continue with this contract is pending. Currently, the remaining balance of this set aside is being drawn by the Iowa Geologic Survey for ongoing source water assessments and geological technical assistance. A set aside of \$125,000 was shown in FY 04 for a loan to a city to purchase land within its wellhead protection area, and this loan is still anticipated to proceed.

Draft workplans for FY 06 show a demand for funds from this set aside in the amount of approximately \$1,511,000, but it is expected that additional demand for source water protection loans may be forthcoming. As a result, the remaining allowable set-aside of \$760,000 is being taken in anticipation

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of funding these expected loans. The balance of set asides is shown in Chart 1, Part 8. No more than ten percent of the FY 04 capitalization grant will be spent on any of the activities listed in Sec. 1452(k)(2), as restricted by that section of the amended Safe Drinking Water Act. If the funds set aside are not allocated within three years, they will revert to the Construction Fund.

## E. PLAN FOR EFFICIENT AND TIMELY USE OF SRF FUNDS

As noted in V.C.4. above, the Department might need to leverage in FY 2006 because project needs exceed the amount of funds available from the capitalization grants, state match funds, allowable transfers, and funds remaining in the Construction and Equity Funds.

As shown in Appendix A, "DWSRF Fund Sources and Uses," \$99,011 is available in the uncommitted portion of the Construction Fund and \$56,489,989 is available in the Equity Fund. This makes the total amount available for loans \$56,589,000. The total amount necessary for uncommitted FY 2002-2005 projects and new FY 2006 projects is \$56,589,000. There is no difference between available funds and project requests, but potential leveraged bond funds of \$27,356,251 are shown as one of the sources. It is important to note that DNR will not leverage unless it is deemed necessary following consultation with the Iowa Finance Authority, IDNR's financial advisors, and the EPA.

## F. TRANSFERS

The Department transferred of an amount equivalent to 33% of the 2004 and 2005 DWSRF capitalization grants (\$10.05M) from the CWSRF to the DWSRF during FY2006. These funds are included as a source of funds in Appendix A and will be placed in the Uncommitted Equity fund to be used for infrastructure loans. The Department also reserves the right to transfer 33% of the 2006 DWSRF capitalization grant between the CW and the DWSRF after capitalization grants have been awarded.

A transfer may be considered when the amount of available CWSRF funding exceeds the planned usage. Since the demand for DWSRF loans has exceeded the amount of the capitalization grants and state match, a transfer minimizes leveraging of the DWSRF and expends CWSRF funds in a timelier manner.

## VI. ASSURANCES AND SPECIFIC PROPOSALS

Iowa will provide the necessary assurances and certifications according to the Operating Agreement between the State of Iowa and the U.S. EPA. Iowa's Operating Agreement includes the requirements of the Safe Drinking Water Act, outlined below:

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- **Environmental Reviews**  
The State of Iowa will conduct environmental reviews as specified in the Project Review procedures attached to the Operating Agreement and program rules as outlined in Chapter 44 of Part 567 of the Iowa Administrative Code.
- **Binding Commitments**  
The State of Iowa will enter into binding commitments for 120% of each quarterly payment for infrastructure projects within one year of receipt of that payment.
- **Expeditious and Timely Expenditures**  
The State of Iowa will expend all funds in the DWSRF in a timely and expeditious manner. The State of Iowa is committed to manage DWSRF projects and process disbursement requests expeditiously.

All projects and activities supported by federal grants are required to comply with certain federal laws and executive orders dealing with environmental and socio-economic criteria, commonly called “cross-cutters.” The Department is required to assure that projects funded in an amount equal to the capitalization grant meet these cross-cutters. Iowa will meet the cross-cutter requirements using state technical review regulations and procedures outlined in Chapter 44 of the Iowa Administrative Code, Part 567.

## **VII. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS**

The following approach was used to develop Iowa’s proposed distribution of DWSRF funds: (1) analysis of the priority of communities applying and financial assistance needed; (2) identification of the sources and spending limits of available funds; (3) allocation of funds among projects; (4) development of a payment schedule which will provide for making timely binding commitments to the projects selected for DWSRF assistance; and (5) development of a disbursement schedule to pay the project costs as incurred.

### **A. PRIORITY OF COMMUNITIES AND FINANCIAL ASSISTANCE NEEDED**

Iowa law provides only for loan assistance. The state’s DWSRF rules identify the priority rating system used to establish priorities for loan assistance. Charts 1 and 2 become the state’s Project Priority List.

Projects are considered eligible for loan financing assistance of all planning and project costs as long as the project is on a the project list of an approved Intended Use Plan.

### **B. ALLOCATION OF FUNDS AMONG PROJECTS**

All projects listed in Charts 1 and 2 are eligible for assistance and may be funded from the DWSRF subject to available funds.

All projects scheduled for funding with Iowa’s DWSRF will be reviewed for consistency with the Safe Drinking Water Act, as amended. Should a project fail to meet this review criterion, it may be bypassed or deleted from the funding list. Chart 2 provides for contingency projects, which may be considered for loan

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assistance as bypass projects according to state rules without formal amendment of this IUP. Projects may be added to Chart 2 in priority order as applications are received.

## **VIII. METHOD OF AMENDMENT OF THE INTENDED USE PLAN**

The State will follow this IUP in administering DWSRF funds in FY 2006. The IUP must be subjected to public review and comment. Any revisions of the goals, policies and method of distribution of funds must be addressed by a revision of the IUP, including public participation. Minor adjustments in funding schedules, loan amounts, and use of bypass provisions including funding of projects on the contingency list are allowed by the procedures of this IUP and state rules for administration of the DWSRF without public notification. Adjustments to Chart 1 to utilize actual funds available to the DWSRF for FY 2006 will be considered minor and only affected applicants will be notified. Public notice of amendments will be made if municipalities are added to or removed from Charts 1 or 2.

## **IX. PUBLIC REVIEW AND COMMENT**

The Department of Natural Resources held a public hearing on **February 9, 2006** at the Wallace State Office Building in Des Moines, Iowa to allow input to Iowa's FY 2006 Intended Use Plan and Project Priority List. The Department published notice of the hearing in the Des Moines Register on **January 7, 2006** and notified stakeholders by e-mail. The public comment period closed on **February 23, 2006** following the hearings. No oral or written comments were received.

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## Chart 1: FY 2005 Intended Use Plan Projects – Specific Information

### Chart 1 Part 1: FY02-03 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Dunlap	FS-43-02-DWSRF-012	152	03/06	03/06	12/06	55	B, C, E
IA-American Clinton	FS-23-02-DWSRF-062	411	12/05	09/04	06/05	15	D

Part 1 Total 563

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project

### Chart 1 Part 2: FY04 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Ottumwa	FS-90-04-DWSRF-017	4,857	09/05	06/05	12/05	60	B, C, D
Braddyville	FS-73-04-DWSRF-015	222	09/05	09/05	12/06	55	B, C, E
Elma	FS-45-04-DWSRF-005	325	09/05	09/05	12/05	55	B, C, E
Riverton	FS-36-04-DWSRF-014	113	09/05	12/05	12/06	55	B, C, E
Burds Green Acres	FS-31-04-DWSRF-024	84	09/05	09/05	06/06	45	B, E

\*Additional \$125,000 loan will be made for land purchase out of the Source Water Protection Set Aside. See Chart 1 Part 8.

Part 2 Total 5,601

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Chart 1 Part 3: FY05 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Clarinda	FS-73-05-DWSRF-009	4,000	09/05	09/05	06/06	85	A, B, E
Bertram	FS-57-05-DWSRF-021	183	09/05	09/05	06/06	55	A, C, E
Calamus	FS-23-05-DWSRF-015	759	10/05	09/05	09/06	55	B, C, E
Deloit	FS-24-05-DWSRF-031	227	09/05	09/05	09/06	55	B, C, E
Keystone	FS-06-05-DWSRF-034	940	09/05	06/05	06/06	55	B, C, E
Melcher-Dallas	FS-63-05-DWSRF-020	475	09/05	06/05	06/06	55	B, C, E
Merrill	FS-75-05-DWSRF-017	300	12/05	09/05	06/06	45	B, E
Willow Stream Estate HOA	FS-82-05-DWSRF-010	217	09/05	09/05	10/06	45	B, E
Brooklyn	FS-79-05-DWSRF-019	300	09/05	06/05	12/05	40	B, C, E
Collins	FS-85-05-DWSRF-018	560	09/05	09/05	06/06	40	B, C, E
Delta	FS-54-05-DWSRF-025	342	09/05	09/05	12/06	40	B, C, E
Crescent	FS-78-05-DWSRF-030	350	09/05	09/05	12/06	40	B, C, E
Elk Horn	FS-83-05-DWSRF-028	496	09/05	09/05	09/06	40	B, C, E
Lowden	FS-16-05-DWSRF-001	514	10/05	03/05	03/06	40	B, E
Martelle	FS-52-05-DWSRF-024	760	09/05	08/05	12/06	40	B, C, E
Hudson	FS-07-05-DWSRF-007	1,016	09/05	09/05	04/06	30	B, E
Missouri Valley	FS-43-05-DWSRF-027	3,536	12/05	12/05	12/06	20	C, E

Part 3 Total 14,975

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project

# DRAFT

Chart 1 Part 4: FY06 Drinking Water Projects

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Bayard	FS-39-06-DWSRF-005	816	05/06	05/06	11/07	105	A, B, C, E
Sioux City	FS-97-06-DWSRF-007	6,000	04/06	05/06	11/07	75	A, B
Lakecrest Manor Homeowners' Association	FS-52-06-DWSRF-019	290				75	A, B, E
Cambridge	FS-85-06-DWSRF-010	982				55	B, C, E
Chariton	FS-59-06-DWSRF-001	800	09/05	11/05	06/07	55	B, C, E
Delaware	FS-28-06-DWSRF-016	127				55	B, C, E
DeSoto	FS-25-06-DWSRF-017	788				55	B, C, E
Emerson	FS-65-06-DWSRF-014	571				55	B, C, E
Keosauqua	FS-89-06-DWSRF-008	350				55	B, C, E
Lenox Municipal Utilities	FS-87-06-DWSRF-011	400				55	B, C, E
Marengo	FS-48-06-DWSRF-012	2,560				55	B, C, E
Mitchellville	FS-77-04-DWSRF-002	1,050	03/05	09/05	06/09	55	F
Olin	FS-53-06-DWSRF-015	417				55	B, C, E
Stacyville	FS-66-06-DWSRF-009	731				55	B, C, E
Breda	FS-14-02-DWSRF-048	100	10/02	10/02	06/03	50	F
Burlington	FS-29-06-DWSRF-006	3,200	05/06	03/06	09/07	45	B, C
Spirit Lake	FS-30-06-DWSRF-020	10,402				45	B, E
LeGrand	FS-64-06-DWSRF-013	198				40	B, C, E
Donahue	FS-82-06-DWSRF-004	800	10/05	04/06	04/07	30	B, E
Spirit Lake	FS-30-06-DWSRF-003	2,397	09/05	09/05	03/07	10	E
Park View Sanitary District	FS-82-06-DWSRF-018	1,650				10	E
Humboldt		317				NA	G
Wyoming		100				NA	G
West Burlington		404				NA	G

Part 4 Total **35,450**

# DRAFT

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project, G = Planning and Design Loan

Chart 1 Part 5: Program Administration Set-Aside

	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-ADM (00)	490		94
PGM-ADM (01)	491		491
PGM-ADM (02)	591		591
PGM-ADM (03)	587		587
Part 5 Total		2,159	1,763

Chart 1 Part 6: Small Systems Technical Assistance Set-Aside

	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-SSTA (03)	294		183
PGM-SSTA (04)	305		305
PGM-SSTA (05)	304		304
Part 6 Total		1,199	792

# DRAFT

Chart 1 Part 7: State Program Set-Aside

Project Name Community Served	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-PWSS (01) (balance reverted to loan fund as of 9/30/05)	1,229		0
PGM-PWSS (04)	1,442		1,265
PGM-PWSS (05)	1,520		1,520

\*Appendix A shows these funds within the Construction Fund, where it is expected they will be placed after they are reverted.

Part 7 Total 4,191 2,785

Chart 1 Part 8: Other Authorized Activities Set-Aside

Project Name Community Served	Amount Set Aside (\$1,000)		Balance Remaining (\$1,000)
PGM-OAU (03)	350		0
PGM-OAU (04)	2,286		2,185
PGM-OAU (05)	2,281		2,281

Part 8 Total 4,917 4,466

# DRAFT

**Chart 2: FY 2006 Intended Use Plan Contingency Projects – Specific Information**

Project Name Community Served	Project Number	Assistance Amount (\$1,000)	Binding Commitment Date	Construction Start Date	Initiate Operation Date	Priority Points	Type of Project
Woodbine	FS-43-05-DWSRF-029	340	06/06	11/06	12/07	115	A, B, C, E
Iowa City Regency MHP	FS-52-05-DWSRF-014	527	07/06	07/05	09/06	110	A, B, D, E
Welton	FS-23-05-DWSRF-033	830	07/06	07/05	09/06	80	A, B, E
Ellsworth	FS-40-05-DWSRF-011	1,350	06/06	07/06	05/07	75	A, B, C, E
Lockridge	FS-51-05-DWSRF-026	149	06/06	10/05	12/06	55	B, C, E
Joice	FS-98-05-DWSRF-006	641	06/06	06/06	06/07	45	B, E
Early	FS-81-04-DWSRF-006	362	06/06	06/06	09/07	40	B, C, E
Walnut	FS-78-05-DWSRF-023	996	06/06	11/06	03/08	40	B, C, E
Panora	FS-39-04-DWSRF-026	2,065	07/06	07/05	12/06	30	B, E
Grand Junction	FS-37-05-DWSRF-022	697	06/06	09/06	09/07	20	C, E

Part 1 Total **7,957**

A = Water Quality and Human Health Risk-Related Criteria, B = Infrastructure and Engineering-Related Improvement, C = Affordability Criteria, D = Special Category Improvements, E = Project Serves Population less than 10,000, F = Supplemental Loan for Previously Approved Project

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## APPENDIX A

### DWSRF FUND SOURCES AND USES

#### **SOURCES:**

Undisbursed Bond Proceeds	4,199,129
Potential Leveraged Bond Proceeds	27,356,251
Undrawn Capitalization Grants	28,068,217
Pending 2006 Capitalization Grant	10,405,500
Pending State Match for 2006 Capitalization Grant	2,081,100
Equity Fund	23,821,171

<b>TOTAL</b>	<b>95,931,368</b>
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#### **USES:**

Construction Fund loans - undisbursed	4,100,118
Construction Fund loans - uncommitted	99,011
Equity Fund loans - undisbursed	22,627,951
Equity Fund loans - uncommitted	56,489,989
Program Set-Asides/Administration	12,614,299

<b>TOTAL</b>	<b>95,931,368</b>
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01/31/2006

Available for drinking water loans:	56,589,000
Loan needs through 2006 IUP:	56,589,000

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## APPENDIX A-1

### DESIGNATED FUND USES

#### MASTER TRUST AGREEMENT

##### **EQUITY FUND**

The Drinking Water Account of the Equity Fund shall receive:

1. Grant proceeds pursuant to a Capitalization Grant Agreement for the Drinking Water Program, and
2. Amounts transferred from the Drinking Water Account of the Deficiency Fund, and
3. Investment earnings from certain Drinking Water Accounts in the Master Trust, and
4. All loan principal and interest payments received for loans made from the Drinking Water Account of the Equity Fund, including prepayments but excluding repayments on loans transferred to a Series of Bonds.

The Drinking Water Account of the Equity Fund shall be used for the following actions:

1. To originate a loan agreement with a Drinking Water participant for project costs and subsequently disburse funds to the participant, or
2. To transfer for deposit in a Reserve Account established under a Series of Bonds issued for the Drinking Water Program, or
3. To transfer or disburse funds and enter into loan agreements for any other purposes, programs or undertakings that may be authorized by the Safe Drinking Water Act and rules enacted by DNR with respect to the Drinking Water Program.

##### **DEFICIENCY FUND**

The Drinking Water account of the Deficiency Fund shall receive:

1. All amounts released by a Bond Indenture Trustee with respect to a Series of Bonds issued for the Drinking Water Program.

The Drinking Water Account of the Deficiency Fund shall be used for the following actions on each interest payment due:

1. To transfer an amount certified by a Bond Indenture Trustee necessary to make the debt service payment due for a Series of Bonds issued for the Drinking Water Program, and next
2. To transfer an amount certified by a Bond Indenture Trustee necessary to make the debt service payment due for a Series of Bonds issued for the Clean Water program, and next
3. To set aside and hold an amount certified by a Bond Indenture Trustee necessary to replenish any deficiency in a Reserve Account for a Series of Bonds issued for the Drinking Water Program until notified that said Reserve Account has been replenished, and next
4. To set aside and hold an amount certified by a Bond indenture Trustee necessary to replenish any deficiency in a Reserve Account for a Series of Bonds issued for the Clean Water Program until notified that said Reserve Account has been replenished, and next

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5. To transfer and replenish the Clean Water Account of the Deficiency Fund any amounts previously advanced for the benefit of a Series of Bonds issued for the Drinking Water Program, and next
6. To withdraw and deposit any remaining amounts in the Drinking Water Account of the Equity Fund.

## **STATE ADMINISTRATION FUND**

The Drinking Water Account of the State Administration Fund shall receive payments of all loan initiation fees and servicing fees from Drinking Water participants.

The Drinking Water Account of the State Administration Fund shall be expended and disbursed for the payment of the administrative costs of the Drinking Water Program, or for other purposes permitted under the Safe Drinking Water Act.

## **SET-ASIDE FUND**

The Drinking Water Account of the Set-Aside Funds shall receive amounts available under one or more of the Capitalization Grant Agreements and the state match portion from a Series of Bonds.

The Drinking Water Account of the Set-Aside Funds shall be expended and disbursed for the payment of the administrative costs of the Drinking Water Program, technical assistance for small systems, supervision of the public water system program, source water protection activities, or other purposes permitted under the Safe Drinking Water Act.

## **BOND INDENTURE**

### **BOND FUND**

The DWSRF Account of the Bond Fund shall be used solely for the payment of the principal and interest on a Series of Bonds issued under the Drinking Water Program.

### **REVENUE FUND**

The DWSRF Revenue Account of the Revenue Fund shall be used to collect revenues paid to the Authority under the Loan and Disbursement Agreements for the Drinking Water Program, plus investment income from the investment of moneys within certain funds and accounts created under the Indenture. The Trustee may transfer amounts sufficient to pay the principal and interest on a Series of Bonds when due to the applicable accounts of the DWSRF Account of the Bond Fund. The Trustee may also make monthly transfers to the DWSRF Reserve Account of the Reserve Fund if the amount on deposit is less than the reserve requirement, or to the DWSRF Rebate Fund. Principal amounts received from Drinking Water participants, due to an optional redemption of all or a portion of the Loan Agreement, may be transferred to the Construction Fund for the purpose of making loans to other Drinking Water participants or transferred to the Master Trustee for deposit in the Drinking Water Account of the Deficiency Fund.

The Administration Subaccount of the DWSRF Account of the Revenue Fund initially receives all initiation fees and servicing fees for transfer to the Master Trustee.

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## **CONSTRUCTION FUND**

The proceeds from a Series of Bonds issued under the Drinking Water Program, less any accrued interest, cost of issuance moneys, and the state match portion of the administration set-aside, shall be deposited in the DWSRF Loan Account of the Construction Fund to be expended and disbursed for loans to finance projects undertaken by Drinking Water participants.

## **RESERVE FUND**

The DWSRF Reserve Account of the Reserve Fund is a debt service to secure the leveraged portion of bonds using federal capitalization grant moneys. The Trustee may transfer moneys to the leveraged DWSRF subaccounts of the Bond Fund if funds on deposit are insufficient to pay the leveraged debt service when due. If the amount on deposit in the DWSRF Reserve Account is less than required, the Trustee may transfer moneys from the Revenue Fund or by the Master Trustee from the Deficiency Fund established under the Master Trust Agreement. If at any time the amount on deposit in the DWSRF Reserve Account is greater than required, any excess shall be released from the Reserve Fund and transferred to the Deficiency Fund.

## **COST OF ISSUANCE FUND**

Moneys in the DWSRF Cost of Issuance Account of the Cost of Issuance Fund from proceeds of a Series of Bonds shall be expended and disbursed solely for payment of the costs of issuance of the bonds. Any excess moneys shall be transferred to the Bond Fund, or to another fund or account specified by the Authority.

## **REBATE FUND**

The Trustee shall deposit into the DWSRF Rebate Fund the amounts specified by the Authority from the DWSRF Interest Subaccount of the DWSRF Revenue Account of the Revenue Fund. Amounts on deposit in the DWSRF Rebate Fund may be used solely to make payments to the United States of America and to pay or reimburse allowable costs related to the calculation of the amounts due. Any excess moneys shall be returned to the Interest Subaccount of the DWSRF Revenue Account.

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## APPENDIX B

### FY 06 PROJECT PRIORITY RANKING LIST

<b>Project Pool</b>	<b>Applicants</b>	<b>Priority Points</b>
<b>Prior to 7/1/2005</b>	Clarinda	85
	Ottumwa	60
	Bertram	55
	Braddyville	55
	Calamus	55
	Deloit	55
	Dunlap	55
	Elma	55
	Keystone	55
	Melcher-Dallas	55
	Riverton	55
	Burds Green Acres	45
	Merrill	45
	Willow Stream Estate HOA	45
	Brooklyn	40
	Collins	40
	Crescent	40
	Delta	40
	Elk Horn	40
	Lowden	40
	Martelle	40
	Hudson	30
	Missouri Valley	20
	IA-American Clinton	15
<b>After 7/1/2005</b>	Bayard	105
	Sioux City	75
	Lakecrest Manor HOA	75
	Cambridge	55
	Chariton	55
	Delaware	55
	De Soto	55
	Emerson	55
	Keosauqua	55
	Lenox Municipal Utilities	55
	Marengo	55
	Mitchellville	55
	Olin	55
	Stacyville	55
	Burlington	45

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After 7/1/2005 (cont'd)	Spirit Lake	45
	LeGrand	40
	Spirit Lake	30
	Donahue	10
	Spirit Lake	10
	Park View Sanitary District	10
After 7/1/2006	Woodbine	115
	Iowa City Regency MHP	110
	Welton	80
	Ellsworth	75
	Lockridge	55
	Joice	45
	Early	40
	Walnut	40
	Panora	30
	Grand Junction	20

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## APPENDIX B-1

### PROCEDURES TO DETERMINE PROJECT PRIORITY LIST

Project rankings were determined by the following procedures:

- Eligibility of applications were determined by needs criteria identified in IAC 567—44.7(8). In general, most water source, treatment and distribution system improvements are considered eligible.
- Project applications received during the FY 2006 application period were considered for funding in FY 2006; if not funded by the end of FY 2006, these projects will be moved to the FY 2007 project priority list.
- The priority ranking is a total score developed using the scoring criteria listed in IAC 567—44.7(8). Points may be gained in each of five categories: Water Quality and Human Health Risk-Related Criteria (60 point maximum), Infrastructure and Engineering-Related Improvement Criteria (35 point maximum), Affordability Criteria (10 point maximum), Special Category Improvements (15 point maximum), and IDNR Adjustment Factor for Population (10 points). The combined score provides a numerical measure to rank each project within its pool. A project with a larger number receives higher priority.
- The final project priority list for a fiscal year's project pool is compiled in the following manner: Subsequent segments of projects funded by DWSRF loan programs of previous years will retain their original score and be added to the list of the current year's applications.
- Loan-eligible projects submitted will be placed on the IUP each calendar quarter. If the project is anticipated to proceed during FY 2006, the project will be added to the project priority list and the list will be made available for public comment at the end of each calendar quarter in which one or more projects are added to the list.
- Projects on the project priority list will be added to the contingency project list if the total amount of needs exceeds the year's DWSRF staff resources capability and loan funding or if it is known that the project will be unable to be funded during FY 2006. Projects will be funded from the top down in the ranking order of the project priority list. Projects are ranked similarly in the contingency project list. Projects in the contingency list can be moved to the funding list when funds are available or when the project is ready to proceed. Funds can be made available due to a number of reasons including project bypasses, loan application withdrawal of other projects, reduction in loan amount requests, or an increase in available funds.

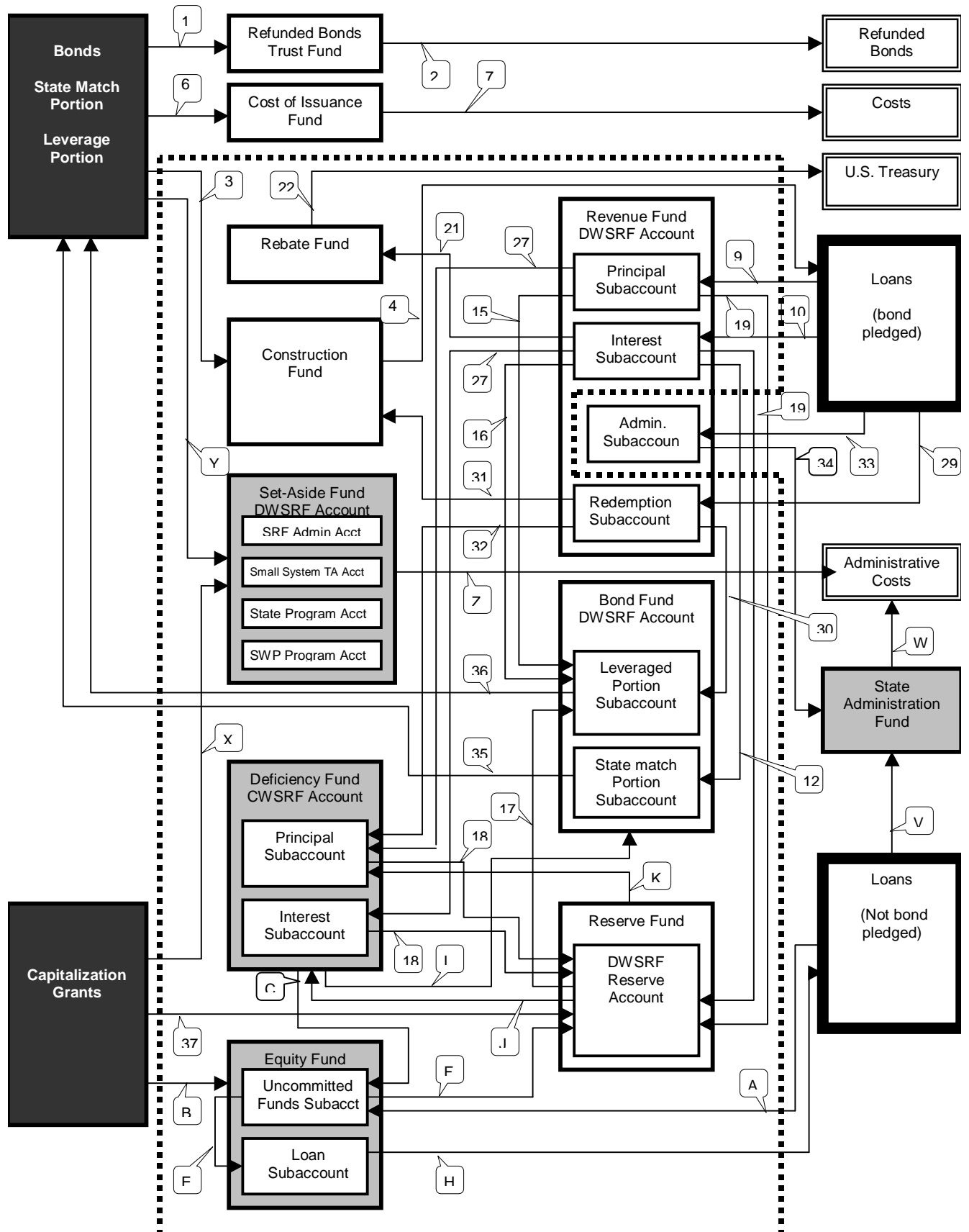
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APPENDIX C

IOWA DWSRF CASH FLOW DIAGRAM

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## Iowa DWSRF Flow of Funds Diagram for Restructured SRF



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## APPENDIX C-1

### IOWA DWSRF CASH FLOW NARRATIVE

The Drinking Water SRF Flow Chart is shown. Major fund flow paths are shown. Not all routes described in the Master Trust Agreement and the Bond Indenture show on this chart. The CWSRF flow chart appears the same with proper labeling. The two SRF programs are operated independently. The only point of contact in their flow charts occurs in relationships provided for in the Master Trust Agreement among the Deficiency Fund, Bond Fund and the Reserve Fund due to cross-collateralization. Because of the complexity of cross-collateralization, details cannot be easily portrayed graphically.

For a review of cross-collateralization provisions in Iowa SRF bond documents refer to the Master Trust Agreement Section 305. The Master Trust Agreement describes the details of cross-collateralization that meet EPA requirements specifically in paragraphs “d” and “e” of Section 305.

The following key will enable the chart to be understood more easily and cross-referenced with bond documents. The document references will vary for the CWSRF, however are in adjacent sections of the documents.

Chart figures:

**Money**

Money Sources

**Fund**

Master Trust Funds

**Account**

Bond Indenture Funds

**Loans**

Primary Users

**Expense**

Irretrievable Use



Boundary of the Drinking Water State Revolving Fund.

Fund Flow Path Descriptions:

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Flow Path Callout	Indenture Reference Section/Line	Master Trust Reference Section
1	5.3/1	
2	5.3/6	
3	5.4/2	
4	5.4/5	
6	5.5/1	
7	5.5/5	
9	5.6/11	
10	5.6/13	
12	5.7/5	
15	5.7/9	
16	5.7/10	
17	5.7/13	
18	5.8(b)/9	
19	5.8(b)/3	
21	5.9/3	
22	5.9/4	
27	5.6/last sentence	See also 304(b), line 4
29	5.6/19	
30	5.6/21	
31	5.6/23	
32	5.6/25	
33	5.6/29	
34	5.6/31	
35	5.7(a)/7	
36	5.7(b)/5	
37	5.8(e)/5	
A		302(b)(1)
B		302(b)(2)
C		302(b)(3)
F		303(b)(1)
H		303(b)(3)
J		304(b), line 6
K	See also 5.8(c)/10	304(b), line 8
L		305(b)(1)
V		306, line 3
W		306, line 6
X		307, line 4
Y		307, line 8
Z		307, line 10